



Child Development Services – Implementing Comprehensive Program Management, Encouraging Responsible Stewardship of Resources, and Developing Data to Support Management Decisions Could Improve Efficiency and Cost Effectiveness

Report No. SR-CDS-11

Issues OPEGA noted during this review:

- Organizational structure and limited capabilities in key management functions hinder comprehensive management, transparency and oversight of program. (pg. 42)
- MDOE and CDS have not placed sufficient emphasis on ensuring efficient and cost-effective use of resources in the implementation of the CDS program. (pg. 46)
- MDOE has not adequately monitored CDS' finances nor ensured that CDS' biennial budgets reflect projected actual resource needs. (pg. 49)
- CDS does not track actual service units provided by its direct service staff against children's Plans and does not consistently monitor staff productivity. (pg. 51)
- Electronic data necessary, or useful, for managing the program is not always reliable or captured in a consistent manner. (pg. 52)
- Contract management is decentralized and professional administrative services are not always competitively procured. (pg. 54)
- Program revenue sources have not been maximized. (pg. 55)
- Lack of coordination between MDOE, CDS and DHHS creates risk of potential fraud and abuse in the MaineCare program associated with billing for CDS program services. (pg. 57)

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a report to the
Government Oversight Committee
from the
Office of Program Evaluation & Government Accountability
of the Maine State Legislature

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OFFICE OF PROGRAM EVALUATION & GOVERNMENT ACCOUNTABILITY

Director Beth Ashcroft, CIA

Staff

Jennifer Henderson, Principal Analyst
Wendy Cherubini, Senior Analyst
Scott Farwell, Analyst
Matthew Kruk, Analyst
Maura Pillsbury, Analyst
Etta Connors, Administrative Secretary

Mailing Address:

82 State House Station
Augusta, Maine 04333-0082
Phone: (207) 287-1901
Fax: (207) 287-1906
Web: <http://www.maine.gov/legis/opeg/>
Email: etta.connors@legislature.maine.gov

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Office of Program Evaluation & Government Accountability
82 State House Station • Augusta, ME • 04333-0082

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Child Development Services – Implementing Comprehensive Program Management, Encouraging Responsible Stewardship of Resources, and Developing Data to Support Management Decisions Could Improve Efficiency and Cost Effectiveness

Introduction

The CDS program provides services to children with disabilities from birth through age five in accordance with the federal Individuals with Disabilities Education Act (IDEA).

The Maine Legislature’s Office of Program Evaluation and Government Accountability (OPEGA) has completed a review of Child Development Services (CDS), a program that is the responsibility of Maine’s Department of Education (MDOE). This review was performed at the direction of the Government Oversight Committee for the 125th Legislature.

The CDS program provides early childhood intervention services and a Free Appropriate Public Education (FAPE) to children with disabilities from birth through age five in accordance with federal requirements in the Individuals with Disabilities Education Act (IDEA). The organizational structure, with related roles and responsibilities, for implementing the program is established in Maine statute and is referred to as the CDS System. Table 1 provides an overview of the CDS program revenues, expenses and number of children served in each of the last five fiscal years (FY), as well as the budgeted full time equivalent positions (FTEs) in the CDS regional sites.

- The title **Child Development Services** and the acronym **CDS** are commonly used to refer to either the program or the organizations implementing it. Throughout this report distinctions will be made as follows:
- **CDS Program** – refers to all activities and efforts involved in providing the defined services.
 - **CDS System** – refers to the structure established in statute for the program encompassing all entities with responsibilities for implementing, managing and overseeing the program.
 - **CDS** – refers collectively to only the CDS Central Office (aka SIEU) and the regional site offices (aka IEOs).

Table 1. CDS Statistics for Fiscal Years 2007 – 2011					
	FY07	FY08	FY09	FY10	FY11
Revenues	\$24,824,425	\$24,809,348	\$26,805,561	\$28,023,107	\$34,813,299
Expenses	\$25,620,738	\$26,137,784	\$27,605,628	\$29,558,274	\$35,381,116
Children Served	5,152	4,883	4,663	4,998	4,754
Budgeted FTEs	295.98	282.23	303.4	319.75	354.36
Sources: Revenues and Expenses are from CDS audited financial statements in MacDonald Page & Co, LLC Single Audit Reports for fiscal years 2007 – 2011. Children Served figures are from CDS and are as of December 1 st in each year. Budgeted FTEs are from OPEGA analysis of budget data for CDS regional sites provided by CDS. Many direct service positions in the regional sites are part-time positions, therefore the actual number of individuals employed by CDS exceeds the count of budgeted FTEs. Budgeted positions for the CDS Central Office for each year were not readily available and are not included in these figures. At the time of this report, the Central Office had 15 employees and three contracted positions.					

Legislative interest in reviewing this program stemmed from recurring supplemental budget requests and private provider complaints.

OPEGA's review focused on costs and fiscal management of the program. Compliance with IDEA, quality of services, and appropriateness of children's service plans were not examined.

Recent legislator interest in a review of the CDS program stemmed primarily from recurring supplemental budget requests for the program over the past several years. Changes made to the CDS System in 2006 were projected to result in several million dollars of General Fund savings and appropriations were reduced accordingly. In fact, however, program costs did not go down. Even with multiple supplemental budget appropriations over the five years, annual revenues have consistently been insufficient to cover actual expenses. As a result, the CDS program was carrying forward a deficit of over \$3 million by the end of fiscal year 2011. CDS' independent financial auditor noted this and, in November 2011, the Governor approved a Financial Order shifting \$3.6 million in General Purpose Aid to the CDS program to cover the deficit.

In addition, over the same period, legislators heard a number of concerns from private service providers who contract with the CDS. These concerns included, but were not limited to, timely payment of invoices, issues regarding both central and regional management of CDS offices, and a perceived shift toward CDS using its own employees for the delivery of services rather than using private providers.

The focus of OPEGA's review was on costs and fiscal management of the program. OPEGA did not examine compliance with IDEA, the quality or results of the services provided, or the appropriateness of specific services included in individual children's service plans. The Committee approved the scope questions addressed by OPEGA prior to the review's initiation. See Appendix A for complete scope and research methods.

Questions, Answers and Issues

1. What entities have a role in overseeing and managing the CDS program and what is each role? Which entities have responsibilities with regard to budget development and monitoring? How effectively does each carry out those responsibilities? Are there any gaps or overlaps/duplications in oversight or management that could negatively impact finances, or transparency and accountability?

see page 10 for
more on this point

The organizational structure of the CDS System is unlike any OPEGA has encountered in Maine State Government, and is particularly atypical for State-administered, federal programs that require such significant General Fund support. MDOE is the lead agency responsible for the CDS program. The program is managed and implemented, however, by other entities with varying degrees of statutorily defined independence from MDOE.

OPEGA identified a number of issues that hinder the clear and comprehensive management of the CDS program on a statewide basis. These issues include: lack of strong accountability mechanisms; blurring of roles and responsibilities; weaknesses in processes for developing and monitoring the program budget; and weaknesses in key management functions resulting from limited reliable data, as well as limited analytic and fiscal management capabilities. These same issues also impair transparency and effective oversight, particularly at the legislative level.

Recent statutory changes approved by the Legislature in April 2012 address some of the structural and accountability issues OPEGA noted in this review. However,

additional systemic changes are needed to improve the management and oversight of the CDS program and the System through which it is implemented.

2. What processes and controls does CDS use to manage and contain program costs when establishing plans and providing services to children? Are they sufficient to assure that services are reasonable and necessary to produce the desired outcome, and that related billings are accurate and appropriate? Do they assure CDS' human and financial resources are utilized efficiently and productively, and that costs are otherwise minimized to the extent possible?

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more on this point

Defining what is appropriate and necessary for producing desired outcomes can be challenging as each child's situation is unique. The federal Individuals with Disabilities Education Act requires that "appropriate" services be provided. Under the law, there is a broad range of what might be considered an appropriate level of service in any particular case. IDEA also requires a child's service plan be established through consensus of the child's "Team" which must include the child's parents or guardians, a CDS representative with authority to commit funds, and certain other specialists depending on the child's needs.

The level of planned services agreed to, and decisions about how they will be delivered, are key cost drivers in the CDS program. Consequently, the culture and philosophy at CDS, as well as the knowledge and skill level of the CDS Team members and the level of guidance provided to them are important factors for ensuring the provision of appropriate services and responsible stewardship of State and federal resources.

OPEGA found the culture throughout the CDS System is appropriately focused on compliance and quality service for children, but does not place sufficient emphasis on fiscal impacts in the provision of services. Adequate support mechanisms are not in place to help ensure that reasonable desired outcomes for children are achieved in an efficient and cost-effective manner. Processes and controls are generally adequate to ensure that payments to providers and insurance billings for CDS staff time are accurate and appropriate. However, processes and controls are not adequate to ensure the efficient and productive use of financial and human resources. Therefore, CDS does not minimize costs to the extent possible in determining and delivering appropriate services.

3. How much of the funding for CDS is expended on administrative costs versus service delivery costs? What are the primary components of service delivery costs for direct delivery of services? How do administrative and service delivery costs compare among CDS sites? What are the reasons for any significant trends or differences in costs and do they suggest any opportunities to reduce costs?

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more on this point

OPEGA determined that administrative expenses accounted for 16.9% of all CDS program expenses in the time period FY2009 - FY2011.¹ Expenses associated with service delivery accounted for 78.4% during the period, encompassing expenses for both case management and direct service, which accounted for 12.5% and 65.9% of total expenses respectively.

¹ The scope of this review was FY07 - FY11. Limited detailed financial data for FY07 and FY08 confined OPEGA's analysis of expenses to the three year period FY09 - FY11.

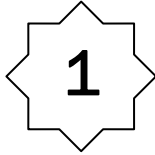
The direct services expense category is not only the primary cost component, but also the component that increased the most over the three year period. The two largest expense lines within the direct services category, and for CDS program expenses overall, were contracted provider services and salaries and benefits. Expenses for contracted provider services, not including transportation, increased by \$3.8 million, or about 44%, between FY09 and FY11 and most of that increase appears related to a 2010 MaineCare rule change. Salaries and benefits expenses for direct services increased \$3.7 million, or about 50%, in that same time period with the increase primarily due to additional CDS direct services staff.

OPEGA conservatively estimates the annual fiscal impact of the MaineCare rule change on the CDS program as at least \$7.6 million given impacts on both revenue and expenses. Our analyses show that revenue and/or expenses for four of the nine CDS regional sites were not as significantly impacted by the change as the others. While this may be due to factors that are unique to these sites and types of services they provide, further exploration of the reasons why these four were not as impacted may identify some opportunities to mitigate the financial impact to the CDS program system-wide.

OPEGA identified the following issues during the course of this review. See pages 42 - 59 for further discussion and our recommendations.

- Organizational structure and limited capabilities in key management functions hinder comprehensive management, transparency and oversight of program.
- MDOE and CDS have not placed sufficient emphasis on ensuring efficient and cost-effective use of resources in the implementation of the CDS program.
- MDOE has not adequately monitored CDS' finances nor ensured that CDS' biennial budgets reflect projected actual resource needs.
- CDS does not track actual service units provided by its direct service staff against children's Plans and does not consistently monitor staff productivity.
- Electronic data needed, or useful, for managing the program is not always reliable or captured in a consistent manner.
- Contract management is decentralized and professional administrative services are not always competitively procured.
- Program revenue sources have not been maximized.
- Lack of coordination between MDOE, CDS and DHHS creates risk of potential fraud and abuse in the MaineCare program associated with billing for CDS program services.

Recommendations



Organizational Structure and Capabilities in Key Management Functions Should be Reassessed and Adjusted as Necessary

OPEGA identified several concerns with the CDS System organizational structure, and limited capabilities in key management functions at the SIEU, that hinder effective management of fiscal and human resources on a comprehensive, system-wide basis. These same issues also impair transparency and effective oversight, particularly at the legislative level.

The organizational structure of the CDS System is different than any other OPEGA has encountered in Maine State Government, and is particularly atypical for State-administered, federal programs receiving General Fund support. MDOE is the lead agency responsible for the CDS program and administers both the federal and State funding. The program is managed and implemented, however, by the SIEU and nine regional CDS sites (IEUs) which, at the time of our review, were established as entities independent of MDOE and each other. OPEGA noted a weak alignment of authority and responsibilities within this structure, as well as a blurring of roles and responsibilities and a lack of strong accountability mechanisms that are problematic for an entitlement program that consumes such significant federal and State resources.

The SIEU is established in statute as a body corporate and politic, but it has no governing board of its own as is typical of other entities the Legislature has established with this legal status. Rather, the SIEU is supervised and overseen by MDOE with the MDOE Commissioner responsible for appointing and supervising the CDS Director who heads up the SIEU. The nine IEUs are established as completely independent entities under the statute. At the time of our review, most regional sites had their own Board of Directors which hired, supervised and terminated the Site Directors. The IEUs, however, are not incorporated as non-profits or any other legally-recognized organizational form. Their relationships with the SIEU are not really like that of either a typical contractor or grantee. As a result, the SIEU and MDOE have limited authority over the IEUs and limited means to hold them accountable for policy and fiscal decisions they make. This structure makes determining the IEUs actual legal status and the State's responsibility difficult when IEU decisions and actions are challenged.²

Statute also assigns specific roles and responsibilities to MDOE, the SIEU and the IEUs. OPEGA notes the delineation of these responsibilities in practice has

² During the time of OPEGA's review, the regional sites were identified in statute as Intermediate Educational Units (IEU) and each regional site had a Regional Site Board of Directors and a Site Director. Part 00 of Public Law 2012, Chapter 655 eliminated regional boards and the regional sites lost their status as IEUs. The regional sites and the CDS Central Office are now combined as the State Intermediate Educational Unit and the Site Directors report directly to the CDS Director at the SIEU.

become less clear over time as MDOE has recognized a need to have more control over the implementation of the CDS program. The authority and responsibilities of the Regional Site Boards have decreased as financial, human resource, policy and administrative functions formerly performed in the IEUs have been centralized in the SIEU.

While the SIEU is a separate entity by statute, in many ways it appears to be part of the Department with MDOE taking on some responsibility for managing, rather than just supervising, the CDS System. SIEU staff are physically located within MDOE's offices and have State e-mail addresses and telephone numbers. The CDS budget is an appropriation program within MDOE's budget and the SIEU and MDOE collaborate on budget requests. Policies, procedures and administrative directives for the program are also issued jointly by the SIEU and MDOE.

At the same time, however, MDOE cannot readily access critical information for planning, monitoring and managing the program's finances. The CDS program is almost completely funded with State General Fund and federal funds flowing through MDOE, but records of financial transactions and accounts for the program exist in financial and accounting systems independent of the State's accounting system. Consequently, MDOE is reliant on the SIEU to provide fiscal data and has very limited ability to analyze it, or verify its completeness and accuracy, on an ongoing basis. MDOE is similarly reliant on the SIEU for access to, and analysis of, program data on children served and the services provided which resides in the Case-e system.

In addition to the structural issues, OPEGA also notes concerns with a lack of capacity and capabilities in key management functions at the SIEU as a result of our experiences in obtaining information and data throughout this review. The weaknesses identified are associated with data availability and reliability, as well as analytic and fiscal management capabilities.

We had difficulty getting complete, reliable, system-wide information from the SIEU that could be readily reviewed and analyzed. For example, it took several iterations of data requests and associated explanations from SIEU accounting staff before we obtained detailed revenue and expense data that could be verified as complete and accurate through reconciliation to CDS' audited financial statements. The data was provided in 69 separate spreadsheet files broken out by IEU that required combining and refining before it was useful for OPEGA's analysis. SIEU staff was reliant on generic reports from the Great Plains system and unable to perform ad hoc queries of the accounting database for detailed fiscal data. Manual processing was thus required to respond to our data requests. This limitation, plus the lack of technical support available for CDS' Great Plains software, may be partly to blame for the difficulty OPEGA experienced in obtaining reliable fiscal data from CDS in a timely fashion. However, we also came to lack confidence in explanations of the data provided by some SIEU accounting staff who seemed to have limited financial analysis skills and experience.

Similarly, the SIEU was unable to readily provide comprehensive, reliable and useful data on the human resources planned for, and in use, throughout the CDS System including:

- the number and types of positions budgeted;

- which positions were filled versus vacant;
- the number of individuals actually employed, which positions they had filled and for how long.

Human resources data OPEGA received came in multiple spreadsheets that had been created by copying and pasting from other SIEU spreadsheets and reports. Inconsistencies in the data within and between the files were problematic for analysis. OPEGA had to perform separate calculations on the information provided to determine the number of CDS budgeted full-time equivalents for each year. OPEGA also found there was a general lack of awareness regarding the number of employees added to the System in recent years and it was clear that the SIEU has not fully developed a centralized human resources function.

Other data reliability issues noted that affect the SIEU's ability to assess program effectiveness and financial trends, even if there was staff capability to do so, are discussed in Recommendation 5. Other information OPEGA requested that the SIEU could not readily provide included:

- annual revenues and expenses specifically associated with CDS-run preschools and child care programs;
- annual budgets for the SIEU;
- total number of private providers contracted to deliver direct services and the number of standard and non-standard rate contracts existing for each; and
- number of provider invoices requiring regional site review each year.

The structural and capacity issues described above, combined with issues described in the subsequent recommendations, impair not only the ability to comprehensively manage the CDS program, but also the Legislature's ability to effectively fulfill its appropriation and oversight roles. For example, legislative fiscal staff are unable to independently review and analyze detailed financial information for the CDS program since such detail is not maintained in the State's accounting system. Consequently, the Legislature is reliant on MDOE and the SIEU for information. We find this somewhat problematic as MDOE is not well positioned to respond to legislative inquiries with reliable details about the program and its finances, and the SIEU's ability to respond is somewhat limited as well.

Recommended Management Action:

MDOE has taken steps to begin addressing the structural and accountability issues noted through recently enacted statutory changes. As a result, the regional sites and the CDS Central Office together are now all considered one State Intermediate Educational Unit with Regional Site Directors reporting directly to the CDS Director.

MDOE and the SIEU should continue to re-assess the CDS System structure and relationships among the entities involved. MDOE should initiate additional changes as necessary to create clear lines of authority and defined roles and responsibilities that facilitate sound program management, accountability and quality service delivery. MDOE and the SIEU should also determine the data, systems, tools and staff skill sets needed for more comprehensive, system-wide

management of the CDS program and take steps to expand those capabilities in the SIEU. MDOE and the SIEU should specifically:

- improve financial and analytic (fiscal and programmatic) capabilities and information technology functionality and support in general;
- strengthen the human resources management function such that complete and current data on the number and status of CDS positions system-wide, and the employees filling them, is captured, maintained and monitored;
- review the effectiveness of mechanisms established at the CDS Central Office intended to control the number of positions and employees; and
- establish account codes that will allow the capture, analysis and reporting of all costs and revenues associated with operating and staffing the pre-school and child care programs run by regional sites.

Recommended Legislative Action:

If any of the above actions require statutory change, the Legislature should consider revising statute, in coordination with MDOE, to further refine the structure of the CDS System and relationships among the entities such that there are clear lines of authority, and well-defined roles and responsibilities. Changes should support transparency, oversight and accountability and ensure that children receive the services they need and are entitled to.



Greater Emphasis Needed on the Responsible Stewardship of Resources in the Delivery of Appropriate, Quality Services

The culture throughout the CDS System focuses primarily on compliance and provision of quality services to children. This is appropriate given the nature of the CDS program, the specific requirements of IDEA, and annual feedback received from the federal Office of Special Education Programs on compliance-based indicators. We consistently heard from CDS and MDOE management about the importance of compliance, and how the need to improve compliance is driving changes in how CDS services are delivered at the regional sites. We also observed considerable efforts by the SIEU in establishing policies, procedures, standardized forms and training to help ensure compliance and reinforce the importance of that objective.

We did not find a similar level of emphasis placed on fiscal considerations and impacts related to direct service expenses. Directors and staff at both regional sites and the Central Office have worked hard to reduce administrative costs, but direct service expenses make up the great majority of program costs and little has been done to explore controlling them on a system-wide basis. We observed a mindset throughout the CDS System, and among MDOE staff, that direct service costs cannot be controlled. OPEGA heard repeatedly that direct service costs, unlike administrative costs, are uncontrollable because they are driven by individual children's needs and, under IDEA, CDS cannot deny services based on cost. MDOE's success in obtaining supplemental appropriations from the Legislature when needed reinforces this mindset.

Direct service costs represented roughly 65.9% of total CDS program expenses for the period FY09 – FY11. These expenses were \$25.5 million in FY11, an increase of nearly \$8 million since 2009. While the majority of that increase came between FY10 and FY11 and is related to the 2010 MaineCare rule change, direct service costs were increasing before the rule change. Other global factors causing higher direct service costs for the program include:

- the need to improve compliance with IDEA requirements for timeliness and natural or least restrictive environments; and
- increases in diagnoses of certain conditions such as Autism Spectrum Disorder and children born with drug addictions which require more, and/or more costly, services.

Meanwhile, the number of children being served has not increased, and in fact has been on a declining trend according to figures provided by CDS and OPEGA's own analysis of Case-e data.³

Within the context of these system-wide factors, the needs and situations of individual children served are also important factors driving direct service costs. However, from OPEGA's perspective, the decisions being made about the level of services in individual Plans, as well as how, where and by whom services are delivered, are the real cost drivers. These decisions are being made throughout the CDS System without much consideration of associated cost impacts, and without sufficient emphasis on the need to use resources efficiently and cost-effectively to deliver services. While MDOE and the SIEU have recently tried to establish some mechanisms to better control direct service costs, like required State-level approvals, we consider these mechanisms to be fairly ineffective. Additionally, neither MDOE nor the SIEU have closely examined how to increase cost effectiveness in service delivery, or reduce the risk of Plans including more services than necessary to meet the needs of children, on a more comprehensive, system-wide basis.

For example, several factors create risk that the service plan developed for any particular child will include a greater level of services than necessary to comply with IDEA and achieve reasonable desired outcomes for the child. IDEA requires that each Plan be appropriate to meet a child's unique needs. However, appropriate plans exist along a continuum of service levels often referred to by CDS as "Chevy versus Cadillac". Individual plans can vary considerably in service frequency and intensity and still meet IDEA requirements. Determining reasonable desired outcomes and an appropriate level of services to meet them involves a significant amount of judgment on the part of the child's Team.

Site Directors OPEGA spoke with described Plans with higher service levels than they thought necessary, and the challenges associated with designing reasonable Plans acceptable to a child's Team. Team members, as dictated by IDEA, include the child's parents and may include assertive advocates and self-interested service providers that could be pushing for unreasonable outcomes and/or higher service levels. The CDS representative on the Team authorized to commit CDS funds may

³ OPEGA has noted concerns with the reliability of certain Case-e data, see Recommendation 5. We considered the data generally sufficient, however, for identifying overall trends.

be influenced by these perspectives as well as his/her own preferences for higher service levels and/or a desire to avoid appeals.

OPEGA observed that these inherent tensions are not well mitigated by mechanisms that support or encourage the CDS Team member to also bring a fiscal perspective to their role in the Team. CDS representatives on Teams need support to balance what might be unrealistic expectations for outcomes, or the push for higher service levels, with a more moderate approach also effective and appropriate for compliance with IDEA. We noted varying levels of supervisory review or guidance among the sites we visited, and a lack of guidance from the SEIU, that is specifically intended to encourage and support CDS staff in advocating for IDEA-compliant approaches that are also an efficient and cost-effective use of resources.

The cultural focus on compliance coupled with evolving service needs has also led CDS regional sites to adjust service delivery models and the settings in which services are delivered. Examples include the move to a Primary Service Provider model for Part C services and efforts to place children receiving Part B services in less restrictive environments as described on page 26.

These changes in service delivery approaches, as well concerns about the ability to comply with required service timeframes when using private providers, have resulted in sites adding direct service staff and CDS-run programs. We noted an increase of 78 budgeted FTEs in the direct services category system-wide between 2007 and 2011, with 64 of those FTEs added between 2009 and 2011. A few of these have been therapist positions, but the majority has been Educational Technicians and Teachers of Children with Disabilities. Some of the positions are associated with the eight CDS-run preschool or child care programs that have been opened or expanded at several regional sites since 2006, while others are related to providing supports to children placed in public or private preschools and child care settings.

OPEGA believes these service delivery changes are being made without fully evaluating or understanding the fiscal implications for planning purposes or to assess whether they are the most efficient and cost-effective options. Individuals we spoke with at MDOE, the SIEU and the regional sites expressed a general belief that the changes were cost-beneficial for the CDS program. We noted, however, that there were few formal cost impact analyses or cost-benefit evaluations to support this belief. We questioned the reliability of the attempts at such evaluations that had been made, because of the methodologies used and weaknesses in available, relevant data as described in Recommendations 1, 4 and 5. In addition, we found recent approval processes established to control the addition of employees or programs at the sites to be fairly ineffective. For example:

- OPEGA reviewed a 2010 time study conducted by the SEIU to compare the cost of contracted provider services with CDS employee provided services. We questioned the reliability of the results of this study, which found CDS employees to be more cost-effective than contractors. The time period analyzed was very short and the study methodology did not allow an accurate comparison of costs. For example, some of the hours counted as productive service hours for CDS employees were for activities that private providers cannot bill for, such as cancelled appointments, staff meetings and data entry.

- Sites must submit a request and receive approval from the SIEU and MDOE Commissioner to fill vacant positions and add new positions. OPEGA observed, however, that direct service positions, in particular educational technicians, are routinely approved with little cost justification or assessment of cost impacts because they are directly related to services required by a child's Plan.
- CDS regional sites are required to get approval from the SIEU to add new programs, which may be a small classroom, or a complete preschool program. Justifications for new programs include compliance with federal requirements, filling un-met needs (i.e. children waiting for services), filling a community need (such as when another program closes), and cost-effectiveness. Conditions related to location, physical safety, and building and staffing requirements all must be met to obtain approval. However, the SIEU and MDOE review of fiscal impact and cost-benefit justifications is not robust and cost impacts are not considered by them to be a reason to deny a new program. Individuals at MDOE and CDS indicated that CDS-operated programs may be less expensive to operate than special purpose schools, but did not cite specific cost analyses or comparative studies to support this perspective. As noted in Recommendation 1, costs associated with these programs are not segregated in regional site budgets or financial accounts so it is difficult to assess whether serving children in CDS-operated programs is more or less cost effective than private preschools.

CDS should better balance compliance and service objectives with the objective of being a responsible steward of public resources. There should be a greater awareness among all those involved in managing, implementing and overseeing this program of this responsibility and the true cost implications of choices being made.

Recommended Management Action:

MDOE and the SIEU should emphasize the responsible stewardship of State and federal resources in delivering appropriate services to children. This adjustment in culture and mindset should be promoted and supported throughout the CDS System when establishing the service levels in children's Plans and considering the most efficient and cost-effective means of providing those services. CDS should consider incorporating supports such as training, mentoring and supervision for employees authorized to commit CDS funds to help ensure desired outcomes for children are reasonable and service levels are not higher than needed to produce those outcomes. Similarly, those making decisions about where, how and by whom those services will be delivered should consider efficiency and cost-effectiveness as part of those decisions. Regular monitoring of regional sites conducted by the SIEU should include fiscal management activities and compliance with fiscal administrative directives issued by SIEU and MDOE. New program and staffing requests should be submitted as clear budget initiatives by sites as part of an improved annual budget process to assure fiscal impacts are appropriately planned for.



MDOE Should Adjust CDS Budget Processes and More Actively Monitor CDS Program Finances

Until recently, MDOE's supervision and oversight of fiscal management for the CDS program has been inadequate. MDOE has not instituted formal processes for monitoring the program's financial position. The Department has also released funding allocations requested by the SIEU without receiving or reviewing any written supporting documentation detailing how CDS program funds are being spent. Additionally, budgets developed and appropriations made have not reflected the amount of resources actually needed to properly administer and implement the program. MDOE allowed the resulting continuing deficits in the CDS program to roll forward for several years before beginning to examine the budget and finances more closely.

State and federal funding for the CDS program is appropriated by the Legislature through a specific appropriation program within MDOE's larger budget. It did not appear to OPEGA, however, that MDOE has had a sufficient understanding of what financial resources the program would need when determining the amount requested in the Governor's Biennial Budgets. The SIEU was unable to provide OPEGA with an itemized budget for the SIEU or for the CDS program as a whole. The itemized budgets we did receive for each CDS regional site were referred to by Site Directors as "fake" budgets as they did not represent what Site Directors actually anticipated for expenditures – particularly in the direct services category. OPEGA learned that neither the CDS regional sites nor the SIEU develop and submit a formal budget request based on projected needs to MDOE before the Department develops its budget proposal, although Site Directors said they could provide that information if asked. Instead, MDOE notifies each CDS regional site what its allocated funding will be after the State budget has been approved by the Legislature. Each CDS site then prepares an itemized budget matching this amount to accompany the entitlement plan that it must submit to MDOE for approval.

Appropriations for the CDS program were reduced by about \$6.5 million in 2006 in anticipation of savings from structural changes made at that time. Those savings were not realized and the level of appropriations in subsequent biennial budgets was not re-adjusted accordingly. CDS program appropriations have been inadequate to sustain the program and MDOE has repeatedly returned to the Legislature with supplemental budget requests. Even with the supplemental appropriations, CDS program expenditures have exceeded program revenues since at least 2007 resulting in deficit balances rolling forward each year. The budget process is likely a contributing factor to this situation – making it appear that CDS expenditures are out of control when, in fact, appropriation requests are not based on well planned and projected resource needs. Without an accurate, realistic budget MDOE and CDS management are also unable to conduct meaningful budget to actual analysis on either a system-wide or regional site level. OPEGA found that, overall, the current budget and appropriation process does not provide adequate transparency of the fiscal situation or program resource needs for policy and decision-makers, especially at the legislative level.

We also reviewed documentation supporting MDOE's transfers of funds to the SIEU and found that funds were being released based on periodic SIEU requests

for a particular amount. MDOE treated these as allotments of amounts that had been appropriated for the program and did not require that the SIEU provide any detailed information on how CDS funds had been expended since the last transfer. MDOE also did not require the SIEU to regularly submit any budget to actual expenditure reports or other information allowing MDOE to monitor the overall fiscal situation for the CDS program or what types of expenses the program was incurring. The lack of formal mechanisms for monitoring and overseeing CDS program finances may be partly due to the close relationship between the SIEU and MDOE described in Recommendation 1. We saw this situation as concerning, however, given the significant funding involved and the fact that the records of financial transactions for the CDS program are maintained in an accounting system separate from the State that MDOE cannot readily review on its own.

Recommended Management Action:

MDOE and the SIEU should improve budget and fiscal monitoring processes. A system-wide budget that accurately reflects projected program resource needs should be developed and used as the basis for the Governor's Biennial Budget proposal to the Legislature. MDOE should require formal written financial reports from the SIEU comparing actual to budgeted expenses including explanations for budget variances. MDOE should also require additional written detail on expenditures, or explanation of current fiscal situation as necessary, to adequately support the release of funds to the SIEU. Lastly, MDOE should consider its need for independent and better access to the financial detail for the CDS program and, if desired, take steps to obtain that access.

4

CDS Should Improve Monitoring of Staff Resources Used in Delivering Services

There are no formal, standard mechanisms for capturing the service hours CDS staff actually provide each child, or for regularly comparing the service units provided by CDS staff to what was called for in the child's Plan. The productivity of CDS direct service staff (i.e. time spent providing services versus travel time, attending meetings, filing paperwork and reports, etc.) is not tracked routinely or consistently system-wide. Currently there are no system-wide methodologies and standards for supervisors to use in assessing employee productivity. Consequently, there is insufficient information and understanding of activities and costs of CDS staff involved in direct delivery of services to ensure resources are being used in the most efficient and cost-effective manner. Available information is also insufficient to accurately assess the cost implications of using CDS staff to deliver services.

When private providers bill CDS, details on the service units being billed are entered to the child's electronic record in Case-e and checked against the child's Plan by staff in the SIEU. This ensures the provider is not billing for more service units than are in the Plan and also provides for some automated monitoring by the regional site, if desired, of how well the child's Plan is being met. This data is not recorded in the same way, however, when service units are being provided by CDS employees. Regular time reporting by CDS employees is not broken down to either a child or service unit level. CDS therapists in the regional sites do submit service

summaries, separate from regular time reporting, to the SIEU specifying hours of service provided by child and service type for the purposes of CDS billing to MaineCare or private insurance. However, there is no comparison of services provided against the child's Plan, and service unit data is not entered in Case-e, as part of this billing process.

The lack of complete and easily accessible data on service units provided makes it difficult to determine whether CDS staff are providing more or less services than are in children's Plans and to monitor productivity levels. It also makes it difficult to accurately calculate costs of actual services provided by CDS staff for use in cost-based assessments such as determining:

- the degree to which actual CDS staff costs for delivering services are being covered by MaineCare and private insurance reimbursements;
- how costs of delivering services with CDS staff compare to costs of using private outside providers; or
- what the fiscal impact would be of proposed changes in service delivery models involving CDS staff.

Having an accurate and automated record of all actual service units provided, whether by CDS staff or private providers, could also allow CDS to begin assessing what service levels are producing the best results in terms of achieving desired outcomes for children.

We did note that one CDS regional site we visited had been monitoring the productivity of employees providing therapeutic services by tracking hours of direct service and mileage for each therapist. The information was used to calculate a productivity rate and target as a supervisory tool, but the service hours data was not entered in Case-e or compared with individual children's Plans.

Recommended Management Action:

CDS should develop standard methods to track and monitor CDS direct service staff time by activity and services provided, as well as related costs. Data on service units provided by CDS employees should be compared against children's Plans and entered in Case-e. CDS should establish a consistent and appropriate process for calculating and monitoring staff productivity and costs per unit of service provided. CDS should use that data to develop site and system-wide budgets, understand the true cost of services provided by CDS staff and to make choices about the most cost-effective ways to deliver quality services.



Key Data Important for Managing Program Should be More Reliable and Consistent

As part of our review, OPEGA analyzed data maintained in CDS' Case-e and Great Plains systems. Case-e is used for managing children's cases and services and Great Plains is CDS' financial and accounting system. We found that some key data maintained in those systems that is needed, or could be used, to manage the CDS program and its costs is not always complete and reliable. Even when the data is

accurate, it is sometimes rendered unusable for analysis because it is recorded or formatted inconsistently.

One example is the data maintained in the Case-e system regarding a child's MaineCare and private insurance coverage, including whether the child is eligible for coverage and whether the parent is allowing access to that coverage. Eligibility information is entered in Case-e when a child first begins to receive CDS services but, although eligibility may change often, there are no control points built into the CDS process to ensure it is regularly updated. When insurance information in Case-e is not current, inaccurate information about a child's eligibility may be passed on to private providers. CDS Central Office staff may also spend time billing the wrong insurer to collect recoupment for services provided by CDS staff or may not bill for children who are eligible. We also noted inconsistencies in which data fields were used to record eligibility information and parental consent, as well varying names in Case-e for the same insurer.

Another example of key data that should be maintained more reliably is Case-e data regarding services planned for children. Details on planned services for each child including type, frequency, intensity and duration are entered in Case-e based on the agreed upon Plan for the child. There is also a data field for the name of the provider that will be delivering each service. As described in Recommendation 4, this planned service data is used by accounts payable staff in the SIEU to verify that the services billed to CDS by private outside providers are actually called for in the child's Plan. As a result, most of the data about services the child is expected to receive from private providers is complete in Case-e. However, it appears that the detail on services expected to be provided by CDS staff are only entered into the system sporadically, if at all. OPEGA also found inconsistencies in whether and how the provider name was recorded in Case-e when CDS staff was the provider and there were a significant number of service units with the planned provider listed in the system as "Unknown".

The shortcomings we noted in the planned service data do not interfere with verifying the appropriateness of private provider billings, but they do render the data unusable for some analyses that could prove beneficial to management. If the planned service data were complete and accurate, analyses could be performed to:

- identify whether CDS staff are fully utilized based on the number of service hours planned in-house;
- examine trends in the use of CDS staff versus private providers to deliver services; and
- identify emerging changes in demand for specific services that might require additional resources or shifts in existing resources.

Examples of data issues we noted in the Great Plains system included multiple names for the same vendor and inconsistent application of account codes for revenues and expenses. The inconsistent coding complicated OPEGA's attempt to analyze CDS program expenses by category, and revenues by source, over time and made it necessary to view our results as estimated rather than exact figures.

Incomplete, outdated and non-uniform data not only limits the ability to analyze fiscal and program data for better managing a program, but also can weaken financial controls. Independent financial auditor, MacDonald Page, also noted

issues with inconsistent account coding in Great Plains and with insurance eligibility information not being updated in Case-e during their Single Audits of CDS.

Recommended Management Action:

The SIEU should improve or establish necessary policies, processes and procedures to ensure that critical data captured in CDS' computer applications is current, standardized and accurate. The following data, in particular, should be addressed: Case-e planned services data when CDS staff is to be the provider including service type, frequency and intensity of service units, and service provider name; Case-e MaineCare and insurance eligibility information; vendor/provider names in both Case-e and Great Plains; Great Plains account codes, and Case-e contracted provider rates. Access to view and change this data should be limited to only those CDS employees who need such access to perform their jobs.



Contract Management for All Contracts Should be More Centralized and Professional Administrative Services Should be Competitively Procured

Contracts with private providers for direct services are established and managed in a decentralized manner that seems administratively inefficient and allows for inconsistency in provider rates and performance expectations across the System. In addition, CDS' procurements of professional administrative-type services are not competitive nor always supported by current, proper contracts. This increases the risk that unnecessary services could be provided and paid for, services paid for may not meet CDS expectations for quality or price, payments to vendors may be higher than necessary, or that CDS may not have adequate legal remedies available to address vendor performance or billing issues.

Specifically, OPEGA noted that each individual regional site is establishing and managing its own direct service contracts and choosing which private providers it will contract with. The same provider often has multiple contracts with different CDS regional sites and it is possible those contracts have different rates and/or performance expectations for the same services.

CDS usually pays contracted providers standard MaineCare rates and the SIEU has developed a two year standard contract used by all sites for providers who will accept those rates. However, some providers will not accept MaineCare rates and may negotiate with the CDS regional site for a non-standard rate. Non-standard rates must be approved in advance by the SIEU. Site Directors submit requests along with supporting justification before entering into a non-standard contract.

Contracts are signed by the Site Directors or Board Chairpersons. Original contracts are kept in the regional site offices. Although copies of the cover page and Rider A of contracts are sent to the SIEU, the SIEU could not provide OPEGA with a list of all the contracted providers, the number of contracts they had system-wide, which sites they had contracts with and how many of them had non-standard rates. The contract copies that SIEU receives from the sites are not

numbered, filed or tracked in a systematic way, and there does not seem to be any way to confirm that the sites are providing copies of all contracts.

OPEGA also noted the following issues with CDS' contracting practices for professional administrative-type services at the SIEU:

- two major contracts between the SIEU and long time providers for audit and payroll services have not been recently competitively bid;
- the agreement with the independent financial auditor is formalized in engagement letters written by the vendor rather than a formal contract established by the SIEU;
- the current CDS Director is not an employee of CDS or MDOE but also has no contract;
- the contract for the former CDS Director was actually a contract between the SIEU and the school district that employed the former Director, and was signed on behalf of the SIEU by the current CDS Director whose employment status, as previously mentioned, is not well established; and
- the SIEU is contracting for administrative personnel that have now been working for CDS over a span of years and are more like employees than contractors.

Recommended Management Action:

Contract management for contracted direct service and transportation providers should be centralized. This function includes selecting providers that CDS will establish contracts with, negotiating rates and establishing one system-wide contract for each provider (acknowledging that contracts may contain varying rates for services provided in different locations or conditions), ensuring contracts contain standard performance expectations for providers, maintaining a master list of contracted and pre-qualified providers, maintaining the central file of all contracts and coordinating with Sites to monitor provider performance against the contract terms and conditions. Professional services should be contracted for via competitive procurement processes. CDS should also employ, rather than contract with, individuals who provide regular, ongoing administrative services in order to ensure compliance with federal labor and tax laws.

7

CDS Should Explore Potential Opportunities to Maximize Revenue and Mitigate Fiscal Impact of MaineCare Rule Change

The CDS program has several sources of revenue other than federal IDEA and State General funds. CDS is permitted by IDEA and State rules to collect family contributions toward Part C services. Reimbursements of cost can also be collected through CDS billing the insurance providers of insured children, including those covered by MaineCare, for Part B and C services provided by CDS employees.⁴ At the time of OPEGA's review, CDS was not doing all it could to maximize either of

⁴ Federal IDEA regulations require parental consent to access a family's public or private health insurance coverage.

these revenue sources or otherwise mitigate the fiscal impacts of the elimination of Section 27 of the MaineCare Benefits Manual as described on page 39.

As allowed by federal and State law, the CDS program has an established sliding fee scale for family contributions toward the cost of Part C services only. The scale ranges from \$0 to \$200 per year depending on a family's financial position. OPEGA observed that CDS does not currently appear to collect any contributions from parents and that the current fee scale seems very low. OPEGA's limited research into fee scales used by other states indicates that some states have found this to be a valuable source of revenue. However, other states have found the limited revenue gathered from families was not worth the resources required and the negative feelings generated for families around fee collection.

An area where there is definite opportunities for CDS to increase non-General Fund revenue is in reimbursement from private insurers. CDS has had limited capability for billing insurance companies for eligible services provided by CDS staff. At the time our review began, CDS was only billing one private insurer in addition to MaineCare. More insurers have been added since then and additional revenue is being collected. The additions are happening slowly, however, as getting set up to bill each different private insurer seems to be a resource intensive effort for the SIEU.

We note that the set up and ongoing billing process for each separate insurer is an extra administrative cost for the CDS program so the SIEU should prioritize which insurers might result in the most additional revenue, and consider whether potential revenue to be received outweighs these extra administrative costs. Alternatively, steps could be taken to use, as much as possible, private providers who are already set up to bill particular insurers for whom CDS has not yet established billing processes.

The SIEU should also ensure that the CDS program is set up to take advantage of additional revenue from private insurers resulting from recently passed State legislation requiring private insurers to provide coverage of early intervention services for children with Autism Spectrum Disorder. According to CDS, the State Board of Insurance needs to establish billing codes in order for CDS to bill as allowed under the legislation. CDS is prepared to bill private insurers once these codes are developed.⁵

Lastly, there may be opportunities to mitigate some of the fiscal impact to the CDS program experienced when Section 27 of the MaineCare Benefits Manual was repealed and Section 28 was established. OPEGA's analysis of expenses and revenues by CDS regional site showed there were several sites whose expenses or revenues, or both, were not significantly impacted by this change.

According to MDOE, rehabilitative services can only be billed under Section 28 if they are considered medically necessary and providers, including CDS sites, have

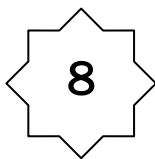
⁵ Two pieces of legislation passed in 2010 required private health insurers to cover certain additional services provided by the CDS program. These were Public Law 2009 Chapter 635, *An Act To Reform Insurance Coverage To Include Diagnosis and Treatment for Autism Spectrum Disorders*, and Public Law 2009 Chapter 634, *An Act To Require Private Insurance Coverage for Certain Services for Children with Disabilities*.

the qualified staff and service delivery settings required by Section 28. MDOE explained that certain CDS sites and private providers already had specialized programs that were billing under Section 27 but which also met the specialized criteria established in new Section 28. Consequently, those private providers and CDS sites were able to continue to bill MaineCare for those services. MDOE explained that other private providers and CDS sites may be unable or unwilling to do what is necessary to be authorized providers even if the services they are providing could be authorized as medically necessary. Nonetheless, OPEGA suggests it would be worthwhile for MDOE and the SIEU to further explore the reasons why some regional sites were not as impacted so that any appropriate efforts might be replicated in other regional sites.

Recommended Management Action:

CDS should maximize all potential revenue sources by improving its capability for billing various individual insurance companies where additional revenue would justify the additional administrative expense. It should also research the sliding fee scales being used for Part C in other states and assess whether Maine's scale should be restructured to be more like those of other states and implement the sliding fee scale more consistently system-wide. If there is no intent to more consistently obtain family contributions for Part C services, then MDOE and the SIEU should consider abolishing this potential revenue stream altogether so that families across the State are treated equitably.

CDS should also explore opportunities for maximizing revenue from MaineCare/insurance companies within the requirements of existing Medicaid/insurance laws and regulations. Billing to MaineCare for Section 28 services and new laws allowing services to be billed to private insurers are areas to be explored.



DHHS and MDOE Should Address Risks of Potential Fraud and Abuse in MaineCare Program Associated with Claims for CDS Services

There has historically been a lack of coordination between MDOE and DHHS on MaineCare claims being paid for services specified in children's CDS service plans. These include:

- services such as physical, occupational and speech therapy eligible for MaineCare coverage under Sections 85, 68, and 109 of the MaineCare Benefits Manual;
- medically necessary rehabilitative and community support services eligible under Section 28; and
- education-related developmental therapy services eligible for coverage under Section 27 up until the repeal of that Section in 2010.

The CDS regional sites contract with private providers who bill MaineCare directly for these services when children have MaineCare coverage, and the parents have

allowed access to that coverage. However, DHHS does not know what services are in children's Plans and MaineCare claims information is not shared with CDS. Consequently, unlike provider invoices submitted directly to CDS, services billed directly by providers to MaineCare are not compared against children's Plans either before or after claims are paid.

While outside providers may deliver and bill MaineCare for more service units than called for in a child's Plan because they are considered medically necessary, there is opportunity for providers to intentionally or inadvertently bill MaineCare for more service units than are called for and which are not justified by the child's medical needs. The claims submitted to MaineCare may be for extra services that were actually provided, or potentially for services that were not provided at all.

It seems unlikely that these possible instances of fraud, abuse or error would be detected other than through monitoring of MaineCare claims activity by DHHS' Program Integrity Unit. OPEGA has previously reported concerns about the capacity within that Unit to conduct regular, systematic monitoring of claims. We do not know at this time if that function has been significantly bolstered as expected with the implementation of the new MaineCare Claims system in September 2010. During the course of our review, MDOE requested from DHHS detail on MaineCare claims paid to CDS contracted providers. That data has just recently been provided to MDOE. Although a full analysis of the data has not been performed, MDOE noted from its initial review that paid claims were substantially more than expected.

Additionally, we noted a risk of potentially ineligible services being paid by MaineCare under Section 28 of the MaineCare Benefits Manual. Education-related developmental therapy services were previously billable to MaineCare under Section 27, but are no longer eligible for MaineCare coverage and must be billed directly to CDS instead. Rehabilitative services that are considered medically necessary remain eligible for MaineCare coverage under Section 28 and can be billed directly to MaineCare. The distinction between Part B developmental therapy services that are education-related versus medically necessary rehabilitation services may be somewhat ambiguous at times and require some judgment to discern.

The control to ensure that only eligible services are being paid for under MaineCare Section 28 is the preauthorization process conducted by DHHS' Office of MaineCare Services. Whether MaineCare is at risk of paying for ineligible services (and thus potentially having to repay the federal government in the future) depends on the robustness of the preauthorization process and whether there is clear guidance from federal Centers for Medicare and Medicaid Services on what is eligible under Section 28, neither of which OPEGA examined in this review.

Lastly, we note that the lack of coordination between MDOE and DHHS, along with any ambiguity as to whether services for particular children are education-related versus medically necessary, presents risk that providers may bill both CDS and MaineCare for the same service without CDS or DHHS detecting the duplication.

Recommended Management Action:

DHHS' Program Integrity Unit, in conjunction with MDOE, should analyze MaineCare claims paid for services provided to children in the CDS program to determine whether there are indicators of fraud, abuse or error associated with the risks OPEGA identified. OPEGA will share with DHHS and MDOE our suggestions for specific analysis and tests that we believe would be worthwhile. The Program Integrity Unit should then follow up with an investigation of any potential fraud or abuse identified.

Additionally, we recommend that the DHHS Internal Audit group assess the effectiveness of the preauthorization process conducted by the Office of MaineCare Services with regard to Section 28 providers and services associated with children in the CDS program. We believe this assessment would be worthwhile to guard against the possibility that federal funds are being used for services that might ultimately be viewed as ineligible by federal CMS and, therefore, have to be repaid in the future.

Lastly, we recommend that MDOE and DHHS continue with their current efforts to improve coordination and ultimately establish policies, processes and procedures that would serve to mitigate the risks we have identified on an ongoing basis.

Agency Response

In accordance with 3 MRSA §996, OPEGA provided both the Maine Department of Education (MDOE) and Child Development Services (CDS) an opportunity to submit additional comments on the draft of this report. We also offered the Department of Health and Human Services an opportunity to comment on Recommendation 8 that called for action by that Department. Response letters from MDOE and DHHS can be found at the end of this report.

In addition, OPEGA discussed the preceding issues and recommendations with MDOE and CDS management in advance and they have devoted significant attention to developing action plans to address those issues that are their responsibility. Some of OPEGA's recommendations provided further impetus for implementing ideas they had already been considering, and since receiving OPEGA's results they have already begun implementing some actions. We note that some actions being taken by CDS go beyond the scope of OPEGA's recommendations and will provide for additional improvements and efficiencies.

The detailed action plan provided by MDOE and CDS management is included in Appendix C and summarized below. The responses are numbered to correspond with the issues described by OPEGA in the Recommendations section of the report.

1

Organizational Structure and Capabilities in Key Management Functions Should be Reassessed and Adjusted as Necessary

The new organizational structure for CDS only recently became law. The intent on the part of both CDS and MDOE is, in the near term, to fully implement the new organization model, and continue to find ways to more fully standardize CDS' operating procedures and more fully integrate them with MDOE's operating procedures. Moving forward, CDS and MDOE will assess how well these new structures are working, and will seek to make additional adjustments to the structure as needed.

2

Greater Emphasis Needed on the Responsible Stewardship of Resources in the Delivery of Appropriate, Quality Services

The SIEU will revise policies/ procedures, and provide training to CDS personnel and stakeholders (i.e. parents, contracted providers), on making appropriate determinations of services based on consistent standards that meet IDEA and MUSER requirements in the most cost-effective way.

3

MDOE Should Adjust CDS Budget Processes and More Actively Monitor CDS Program Finances

CDS will create a system-wide budget using Zero Based Budget procedures comparable to those used by State agencies. Further development of fiscal reports will allow for actual system-wide costs to be compared to the budget. The SIEU will provide monthly budget to actual reports to the Commissioner and Deputy Commissioner to support the release of funds.

4

CDS Should Improve Monitoring of Staff Resources Used in Delivering Services

CDS will investigate human capital management options and will adopt a new process to more closely manage human resources costs. CDS will develop a procedure to compare planned services to actual services delivered by CDS employed staff. CDS will develop a set of uniform standards that are to be used by site managers to determine if a site needs additional direct service staff.

5

Key Data Important for Managing Program Should be More Reliable and Consistent

The SIEU agrees with the recommended actions which have been part of our ongoing quality improvement strategies. The SIEU will continue reinforcement of policies and procedures through training and monitoring to increase timeliness, consistency and reliability of information entered into the data systems.

6

Contract Management for All Contracts Should be More Centralized and Professional Administrative Services Should be Competitively Procured

CDS is currently defined as a quasi-independent State entity under the recently enacted legislation stemming from LD 1843. To comply with the requirements now established in 5 MRSA §12022(3), the SIEU must develop a request for proposal

process by December 31, 2012 and will fully implement a centralized competitive contracting process by July 1, 2013.

7

CDS Should Explore Potential Opportunities to Maximize Revenue and Mitigate Fiscal Impact of MaineCare Rule Change

The SIEU has developed a draft Family Cost Participation Policy with sliding fee scale to be reviewed by MDOE and the Attorney General's Office and submitted for proposed rule making. The SIEU continues to collaborate with MaineCare and private insurance companies to determine appropriate reimbursement/ billing policies and procedures for third party payors.

8

DHHS and MDOE Should Address Risks of Potential Fraud and Abuse in MaineCare Program Associated with Claims for CDS Services

CDS will continue to collaborate with DHHS to ensure that risks of fraud and abuse in the MaineCare program associated with children served by CDS are mitigated to the extent reasonable.